Taxes

State of Indiana Business Taxes

Corporate Income Tax

The Corporate Adjusted Gross Income Tax is calculated at a flat 8.5 percent of adjusted gross income. Adjusted gross income is a company's federal adjusted gross income with certain adjustments. This method of determination simplifies tax calculations for corporations and does not apply to S corporations and not-for-profit organizations.

Gasoline and Diesel Fuel Taxes

The combined federal, state and local tax on gasoline in Indiana is $0.501per gallon. The combined federal, state and local tax on diesel fuel in Indiana is $0.692 per gallon.

Gross Receipts/Inventory Tax

Indiana has no gross receipts tax and no inventory tax.

Individual Income Tax

Indiana's personal income tax is 3.4 percent of federal adjusted gross income (with certain exemptions and deductions).

Property Tax

Real and personal property tax is assessed at 100 percent of market value. Tax rates and exemptions vary among local jurisdictions. Indiana's 2008 Property Tax Reform Act cut property taxes significantly and will provide permanent protection for homeowners and businesses. Beginning in 2010, homeowner property taxes will be capped at 1 percent of a home's assessed value, apartments and agriculture land will be capped at 2 percent of assessed value, and business property will be capped at 3 percent of assessed value.

Sales and Use Tax

Indiana's Sales and Use Tax is tax is calculated at a rate of 7 percent. In manufacturing, the following are exempt from the sales tax: raw materials, equipment, power, electricity, and utilities. Wholesale sales, items used directly in production, and sales made in interstate commerce are exempt. In addition, the purchase of research and development equipment is exempt from the tax.

Single-Sales Factor

Indiana is phasing in the single-sales factor for apportioning corporate income tax. Indiana had determined its share of an interstate or international corporation's taxable income by weighing the Indiana portion of a company's property and the proportion of its employees in Indiana. The single-sales factor will calculate the Indiana portion based solely on the portion of a company's sales in Indiana. This change is being phased in and will be complete by 2011.

INDIANA®
Accelerate Your Business

Indiana Economic Development Corporation • One North Capitol, Suite 700 • Indianapolis, Indiana 46204
Toll-free 800.463.8081 • Tel 317.232.8800 • Fax 317.232.4146 • www.AccelerateIndiana.com

JC042907

Taxes

State of Indiana Tax Credits and Exemptions

Economic Development for a Growing Economy (EDGE) Tax Credit
EDGE tax credits are based on the additional employee payroll withholdings for net new job creation in Indiana. The grant may be for a period of up to 10 years. Credits are applied against the company's Indiana income tax liability and are refundable.

Research and Development Tax Credit
This credit (also known as the Research Expense Tax Credit) is based on the increase in Indiana R&D over the prior three-year base. In the base year, research expenses must have been at least half of the research expenses in the current year. The credit equals 15 percent of qualified research expenses on the first $1 million of investment. It is applied against income tax liability and may be carried forward 10 years. There is no carry back, and the credit is nonrefundable. This program operates under the Department of Revenue and uses the definition of "qualified research expense" from the Internal Revenue Code (which includes the costs of wages and supplies).

Hoosier Business Investment (HBI) Tax Credit
HBI tax credits are available to a company making a "qualified investment" in an Indiana facility. Generally speaking, a "qualified investment" includes new buildings, building improvements and equipment. The credit award may equal up to 10 percent of the qualified investment, and may be carried forward for up to nine years. The credit percentage and carry forward term are determined by the IEDC on a case-by-case basis.

Venture Capital Investment (VCI) Tax Credit
The VCI tax credit is a non-refundable tax credit available to qualified applicants that provides investment capital to qualified Indiana businesses. The aggregate credit amount for a particular qualified business is equal to the lesser of 20 percent of the qualified investment or $500,000.

Hoosier Headquarters Relocation Tax Credit
When a business relocates its corporate headquarters (defined as the location of the principal office of the principal executives) to Indiana, it is entitled to a credit against its state tax liability equal to half of the costs incurred in relocating the headquarters. A company must have global annual revenue of at least $100 million to qualify.

Hoosier Alternative Fuel Vehicle Manufacturer Tax Credit
This program provides a credit up to 15 percent, as determined by IEDC, of the qualified investment for the manufacture of alternative fuel vehicles. An applicant must compensate its employees at least 150 percent of the state's hourly minimum wage and agree to maintain operations for at least 10 years.

Industrial Recovery Site Tax Credit
Credits are available for rehabilitating buildings that have been empty for the previous two years, that were in operation at least 20 years ago, and that have at least 250,000 square feet of interior space.

Patent Income Exemption
Taxpayers are exempt from certain income derived from qualified utility and plant patents. Qualified taxpayers are eligible for an exemption of 50 percent of patent income for each of the first five years. The exemption percentage decreases over the next five years to 10 percent in the tenth year. The total amount of exemptions claimed by a taxpayer may not exceed $5 million per year. This benefit is available only to companies with 500 or fewer employees.

INDIANA®
Accelerate Your Business

Indiana Economic Development Corporation • One North Capitol, Suite 700 • Indianapolis, Indiana 46204
Toll-free 800.463.8081 • Tel 317.232.8800 • Fax 317.232.4146 • www.AccelerateIndiana.com

JC042907